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ESTIMATES OF FEDERAL RECEIPTS FOR FISCAL YEARS 1958 AND 1959

PREPARED BY THE

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ESTIMATES OF FEDERAL RECEIPTS FOR FISCAL YEARS 1958 AND 1959

TABLE 1.—*Receipts, expenditures, and surplus or deficit of the Federal Government, actual for fiscal 1957, estimates for fiscal years 1958 and 1959*

[Billions of dollars]

	Actual 1957	Estimated, 1958		Estimated, 1959	
		January budget estimates	May staff estimates	January budget estimates	May staff estimates
Receipts	71.0	72.4	69.1	74.4	66.9
Expenditures	69.4	72.8	[1] 73.0	73.9	[1] 78.0
Surplus (+) or deficit (−)	+1.6	−.4	−3.9	+.5	−11.1

[1] Expenditure estimates are taken from a speech by Secretary Anderson, Apr. 18, 1958.

Source: Staff, Joint Committee on Internal Revenue Taxation.

The staff of the Joint Committee on Internal Revenue Taxation estimates that there will be a deficit of $3.9 billion in the current fiscal year, 1958, and a deficit of $11.1 billion in fiscal 1959. The staff estimates of budget receipts for the fiscal years 1958 and 1959 are estimated to be $69.1 billion and $66.9 billion, respectively. The expenditure estimates of $73 billion for fiscal 1958 and $78 billion for fiscal 1959 are the figures given by the Secretary of the Treasury in a speech on April 18, 1958.

Table 1, above, shows these current estimates and the estimates used in the Budget in January 1958, as well as the actual receipts and expenditures for the fiscal year 1957.

1. Budget receipts

The most recent data available indicate that receipts for fiscal 1958 will show a decline from the preceding year of approximately $2 billion, and a further decline of slightly more than $2 billion is anticipated in fiscal 1959. The decline in receipts is due, of course, to the current business recession. In estimating the receipts for the fiscal year 1959, which begins on July 1, 1958, it was necessary to make assumptions concerning economic conditions in the coming year, and it was assumed that there would be a mild improvement in economic conditions in the fourth quarter of calendar 1958 and further improvement in the first half of calendar 1959.

Under present law, the rates of the income tax on corporations and of certain excises are scheduled to be reduced on July 1, 1958. The estimated receipts for fiscal 1959, both staff estimates and budget estimates, are based on the assumption that the reductions will be postponed for 1 year.

2. Budget expenditures

The current estimate of budget expenditures for fiscal 1958 shows little change from the January budget estimate, while the estimate for expenditures in fiscal 1959 represents an increase of about $4 billion over the January figure. This estimate of $78 billion of expenditures in fiscal 1959 may prove to be low; in fact, the Director of the Bureau of the Budget in testimony before the Committee on Ways and Means on May 28, 1958, stated:

> The result of all this is that expenditures for fiscal 1959 will be increased, it can now be estimated, by an amount between $4 billion and $6 billion.

3. Assumptions as to income levels

As stated earlier, in preparing the estimates of receipts, the staff assumed that the economic picture would show a slight improvement in the late months of calendar 1958 and more pronounced improvement in the following 6 months. For calendar 1958, it was assumed that personal income would be $343 billion and corporate profits before tax would be $34 billion. The levels of business activity assumed by the staff were arrived at after consultation with a number of specialists in economic forecasting, both from private industry and the Federal Government.

Personal income has declined in recent months, but the decline has been moderate, from a level of $345.5 billion for the last quarter of 1957 to $342.5 billion for the first quarter of 1958. The mildness of the decline in personal income is due to the fact that the increase in transfer payments (largely nontaxable) has tended to offset the decrease in wages.

Corporate profits before tax in calendar 1957 were $41.2 billion. However, the level for the last quarter of 1957 was $37.5 billion. Information available at this time indicates that there was a further drop in the first quarter of 1958 from the last quarter of 1957. The staff estimate of $34 billion of profits for 1958 reflects the overall assumption of economic conditions for this year.

4. Details of receipt estimates

Table 2, which follows, shows by major sources the actual 1957 and the estimated 1958 and 1959 fiscal year receipts. This table indicates by major receipt sources the difference between the January budget estimates and the staff estimates. It also shows receipts before and after reduction for amounts earmarked for various trust funds and amounts payable as refunds. The estimates of excise and corporate income tax collections for fiscal 1959 are based on the assumption that the scheduled reductions in rates will not take effect in that year. If these reductions are effective July 1, 1958, the receipts for fiscal 1959 will be about $1.8 billion less than the estimate in table 2, or $65.1 billion.

TABLE 2.—*Receipts of the Federal Government, actual for fiscal 1957, estimates for the fiscal years 1958 and 1959*

[Millions of dollars]

Source	Actual, 1957	Estimated, 1958			Estimated, 1959 [1]		
		January budget estimates	Staff estimates	Differences, increase (+) or decrease (−)	January budget estimates	Staff estimates	Differences, increase (+) or decrease (−)
Individual income taxes	39,030	40,800	39,060	−1,740	42,300	39,600	−2,700
Corporation income taxes	21,531	20,800	20,600	−200	20,815	17,716	−3,099
Excises	10,638	11,192	10,743	−449	11,633	10,506	−1,127
Estate and gift taxes	1,378	1,500	1,450	−50	1,585	1,550	−35
Employment taxes	7,581	8,725	8,450	−275	8,963	8,640	−323
Customs	754	785	785	----------	800	800	----------
Miscellaneous receipts [2]	2,764	3,330	3,300	−30	3,526	3,500	−26
Total	83,676	87,132	84,388	−2,744	89,622	82,312	−7,310
Deduct:							
Transfers to Federal old age and survivors insurance and disability trust funds	6,634	7,763	7,525	−238	7,988	7,750	−238
Transfer to railroad retirement account	616	620	585	−35	625	550	−75
Transfer to highway trust fund	1,479	2,120	2,088	−32	2,164	2,112	−32
Refund of receipts	3,917	4,229	5,100	+871	4,445	5,000	+555
Net budget receipts	71,029	72,400	69,090	−3,310	74,400	66,900	−7,500

[1] Assuming continuation of present rates of all taxes.
[2] Includes taxes not elsewhere classified.

NOTE.—Detail may not add to totals because of rounding.

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